



STATE OF IOWA

THOMAS J. VILSACK, GOVERNOR
SALLY J. PEDERSON, LT. GOVERNOR

DEPARTMENT OF HUMAN SERVICES
KEVIN W. CONCANNON, DIRECTOR

AUG 14 2006

Mike Tramontina, Director
Department of Management
State Capitol
LOCAL

RECEIVED

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IOWA DEPT. OF
MANAGEMENT

Re: Charter Agency Waiver of Procurement Rules

COPY

Dear Director Tramontina:

Pursuant to Iowa Code § 7J.1(5) the Department of Human Services (DHS), a Charter Agency under Chapter 7J hereby seeks a waiver of the Department of Administrative Services procurement rules, specifically the competitive procurement requirements of 11 Iowa Admin. Code § 106.5.

The legislature has obligated DHS to perform an enrollment data match between health insurance companies and the *hawk-i* program. The legislature has also mandated that the Medicaid program perform a similar match between private health insurance companies and the Medicaid program. The goals of these data matches is to identify program enrollees who have existing insurance so that claims can be made against that insurance.

Initially, Iowa Medicaid thought that it would be able to perform this data match within the Iowa Medicaid Enterprise (IME). DHS rules were adopted that required insurance agencies to forward data match files to the IME, and the task of matching the files was assigned to the IME's core systems contractor, Noridian. Because of this existing arrangement, the *hawk-i* program elected to use the existing system as the basis for its data match system. However, after many months of effort on this project, the core systems contractor at the IME has determined that the data match project is incredibly complex, not operating appropriately, and needs to be scrapped. Therefore, neither Medicaid nor *hawk-i* are currently able to perform data matches as mandated by the legislature.

One of the other Medicaid contractors at the IME is Health Management Systems (HMS), which is the IME's revenue collection services contractor. HMS performs data match duties in many states, and when approached about performing this duty in Iowa, HMS agreed to perform the duty free of charge. HMS agreed to do this because performing this match would give HMS access to certain carrier data that it otherwise would not have access to, so the arrangement is a windfall to both the state and HMS. If Medicaid proceeds with this arrangement, data that insurance carriers currently send to the IME will be rerouted to HMS facilities in New York for processing. The state will no longer receive the data directly. For this reason, the *hawk-i* program must either reacquire the data from its source and process it or use the same vendor that the IME uses for its data match.

DHS had hoped that HMS would also perform the data match for the hawk-i program without charge. That request was made of HMS. However, HMS refused to do so because of the additional work necessary to match data from a different state program.

DHS contracts with MAXIMUS to perform services for the *hawk-i* program. DHS approached MAXIMUS about performing this data match, and MAXIMUS provided an estimated cost of \$151,430.00 to implement and ongoing monthly costs of \$5,970.00 (\$71,640 per year). HMS has proposed \$8,000.00 for implementation and \$36,000 per year.

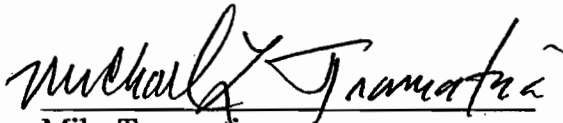
If DHS is permitted to contract with HMS, the state would realize a cost savings of \$179,070.00 in the first year and \$27,640 each year thereafter. Therefore, DHS is seeking this waiver of the competitive procurement requirements so that it can contract with HMS for the *hawk-i* data match mandated by the legislature.

Thank you for your kind consideration. To confirm your consent to this Charter Agency rules waiver please sign and return this document at your earliest convenience.

Sincerely



Kevin W. Concannon
Director



Mike Tramontina
Director
Department of Management

8-22-06
Date

KWC/ar